

**PUBLIC DISCLOSURE**

**October 15, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Everett Co-Operative Bank  
Cert # 26444**

**419 BROADWAY  
EVERETT, MA 02149**

**Division of Banks  
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Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation  
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<b>NOTE:</b>	<b>This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</b>
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Everett Co-operative Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **October 15, 2012**. The agencies evaluate performance in the assessment area, as delineated by the institution, rather than individual branches. The Division and the FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

### **INSTITUTION'S CRA RATING:** This institution is rated **“Satisfactory.”**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

### **Lending Test:**

The Bank is rated **“Satisfactory”** under the Lending Test. This rating is supported by the following results.

- The loan-to-deposit (“LTD”) ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the Bank’s size, financial condition, and assessment area credit needs. The Bank’s average net LTD ratio since the prior CRA evaluation, dated August 3, 2009, was 99.4 percent. The Bank’s ratio also exceeded those of similarly situated banks.
- A majority of the Bank’s residential and small business loans, combined, for 2010 and 2011 (50.6 percent by number) were originated inside the assessment area. It should be noted that the Bank did not make a majority, by dollar volume, in the assessment area. This was attributed to making larger loans outside the area. Many of these loans were made to existing customers, who had relocated but retained a business relationship with Everett Co-operative Bank.
- Overall, the geographic distribution of loans reflects excellent dispersion. The Bank’s performance in the area’s moderate-income tracts for both residential and small business loans is excellent. Nearly three-quarters of the Bank’s home mortgage loans were originated in the area’s moderate-income geographies. While the Bank’s lending activity within the area’s two low-income tracts has been minimal, it is acknowledged the opportunities to lend in these tracts are limited, and the Bank also lacks a branch presence in these tracts.
- Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The Bank’s percentages for home mortgage loans exceeded the aggregate market in

2010 to low- and moderate-income borrowers. The number of loans to low- and moderate-income borrowers decreased from 2010 to 2011. The Bank responded to small business financing needs by making a reasonable number of loans to the assessment area's small businesses.

- The Bank did not receive any CRA complaints. The Bank's fair lending policies and procedures are adequate.

### **Community Development Test**

The Bank is rated "**Satisfactory**" under the Community Development Test.

Everett Co-operative Bank demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the Bank's capacity and the need and availability of such opportunities throughout the Bank's assessment area. This rating is supported by the following factors.

- The Bank's community development lending activity showed adequate responsiveness. The Bank originated three loans, totaling approximately \$4.1 million since the prior evaluation.
- The level of qualified investments showed adequate responsiveness. The Bank made an investment of \$25,000 and contributed \$76,571 to qualified organizations and programs.
- The Bank provided an adequate responsiveness to community development services throughout the evaluation period, including involvement in various community development organizations.

## **SCOPE OF EXAMINATION**

The Division and the FDIC conducted this evaluation jointly. An onsite evaluation of Everett Co-operative Bank used the interagency intermediate small bank (“ISB”) examination procedures, as established by the Federal Financial Institutions Examination Council. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution’s applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) an institution completed to meet the needs of the community since the previous evaluation.

The Bank made no small farm loans (loans secured by farmland to finance agricultural production with original amounts of \$500,000 or less). In addition, consumer loans (a loan to one or more individuals for household, family, or other personal expenditures, excluding home mortgage, small business, and small farm loans) represent only a small portion of the Bank’s loan portfolio. Neither portfolio was considered in the analyses. As a result, the evaluation was based exclusively on the Bank’s residential and small business loan portfolios (2010 and 2011).

The Bank’s business strategy focuses equally on originating residential and commercial loans. However, considering the composition of the current loan portfolio, as well as the annual volume of home mortgage loans versus commercial loans, more weight was placed on the home mortgage loans in arriving at the overall rating. The Bank’s residential lending performance was compared to the 2010 aggregate HMDA data. The 2011 aggregate data was not available. The Bank is not required to report its small business loans; however, Bank data/reports were used in the analysis. Please note, because the Bank does not report small business loans, a comparison to the aggregate was not appropriate; however, the Bank’s performance was compared to certain business demographic data. Further detail on loan composition and lending volume is provided in the *Description of Institution*.

Although both the number and dollar volume of the Bank’s loans were reviewed, the number of originations was weighed more heavily, as the number of loans is less likely to be influenced by factors such as business size, applicant income level, or varying housing values. If dollar volume were emphasized, higher income borrowers or areas would generally appear to receive a larger percentage of loans because each loan is likely to be larger.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services in which the Bank was involved from the date of the previous evaluation, August 3, 2009, through the date of this evaluation, October 15, 2012.

The FDIC conducted the Bank’s previous CRA evaluation using the interagency small institution examination procedures. These procedures include only a Lending Test. The evaluation resulted in a “Satisfactory” CRA rating.

Demographic information referenced in this evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Additionally, unless otherwise noted, financial data about the Bank was obtained from the June 30, 2012 Call Report.

## PERFORMANCE CONTEXT

### Description of Institution

Everett Co-operative Bank is a Massachusetts-chartered financial institution headquartered in Everett, Massachusetts. The Bank's only office is located at 419 Broadway in Everett, Massachusetts, which is located in a moderate-income census tract. The Bank has not opened or closed an office since the previous examination.

The Bank is a full-service financial institution that offers deposit products such as checking, savings, and retirement accounts, as well as loan products such as home financing programs which include fixed- and adjustable-rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. Additionally, the Bank offers consumer credit products, including home equity lines of credit, home improvement loans, personal loans, and overdraft lines of credit.

Everett Co-operative Bank also offers checking, savings, and money market accounts to commercial customers. The Bank also offers financing options including commercial real estate loans, term loans, lines of credit, construction loans, and permanent mortgages. The Bank is a participating U.S. Small Business Administration (SBA) lender.

The Bank had total assets of approximately \$311 million as of June 30, 2012. Assets increased approximately 18.0 percent since the prior evaluation. As of June 30, 2012, total loans stood at \$258.9 million, and represented 83.1 percent of total assets. Total loans increased by 13.1 percent since the prior evaluation. Table 1 illustrates the distribution of the Bank's loan portfolio as of June 30, 2012.

<b>Table 1 – Loan Portfolio Distribution as of June 30, 2012</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	15,758	6.1
Revolving Open-end 1-4 Family Residential	12,230	4.7
1-4 Family Residential	132,179	51.1
Multi-Family (5 or more) Residential	30,455	11.8
<b>Total Residential Loans</b>	<b>190,622</b>	<b>73.7</b>
Commercial Real Estate	62,701	24.2
<b>Total Real Estate Loans</b>	<b>253,323</b>	<b>97.9</b>
Commercial and Industrial	4,269	1.6
Consumer Loans	1,291	0.5
<b>Total Loans</b>	<b>258,883</b>	<b>100.0</b>

*Source: June 30, 2012 Call Report*

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate, followed by commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

## **Description of Assessment Area**

The CRA requires a financial institution to define one or more assessment areas within which its record of helping to meet credit needs is evaluated. Generally, an assessment area should consist of Metropolitan Statistical Areas (“MSAs”), Metropolitan Divisions (“MDs”), or contiguous political subdivisions, such as counties, cities, or towns. Further, an assessment area should consist of geographies (census tracts) in which the bank has its main office, its branches, and any deposit-taking remote service facilities. The Bank has one designated assessment area that conforms to CRA requirements. The area consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

<b>Table 2 – Assessment Area Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	65	3.1	56.9	40.0	
Population by Geography	355,420	2.9	60.8	36.3	
Owner-Occupied Housing by Geography	63,683	1.1	53.0	45.9	
Businesses by Geography (2010)	17,223	3.4	59.5	37.1	
Businesses by Geography (2011)	25,507	3.1	59.3	37.6	
Distribution of Families by Income Level	83,029	30.1	22.5	23.3	24.1
<b>Median Family Income (MFI)</b>		\$54,780	<b>Median Housing Value Unemployment Rate (2000 U.S. Census)</b>		\$211,132 2.73%
<b>MD #15764 MFI, 2010</b>		\$98,700			
<b>MD #15764 MFI, 2011</b>		\$105,000			
<b>MSA #14484 MFI, 2010</b>		\$85,200			
<b>MSA #14484 MFI, 2011</b>		\$87,600			
<b>Families Below Poverty Level</b>		8.3%			

*Source: 2000 U.S. Census, 2010 and 2011 Dun & Bradstreet (D&B) data, 2010 and 2011 HUD Estimated Median Family Incomes*

### ***Geographies***

Everett Co-Operative Bank’s assessment area includes the municipalities of Chelsea, Everett, Malden, Medford, Melrose, Revere, Somerville, and Winthrop. These municipalities are located within Middlesex County, which is part of the Cambridge-Newton-Framingham, Massachusetts MD (#15764), and Suffolk County, which is part of the Boston-Quincy, Massachusetts MD (#14484).

The analysis for the Geographic Distribution section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (“MFI”) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

- Low-Income: Less than 50 percent of MFI
- Moderate-Income: At least 50 percent but less than 80 percent of MFI
- Middle-Income: At Least 80 percent but less than 120 percent of MFI
- Upper-Income: 120 percent or greater of MFI

As shown in Table 2, the assessment area contains 65 census tracts. There are 2 low-income tracts, 37 moderate-income tracts, 26 middle-income tracts, and there are no upper-income tracts. The assessment area, as currently defined, meets the technical requirements of the CRA.

The population of the assessment area is 355,420. Of the total assessment area population, 2.9 percent reside in low-income census tracts, 60.8 percent reside in moderate-income census tracts and 36.3 percent reside in middle-income census tracts.

### ***Median Family Income Levels***

The analysis under the Borrower Characteristics section of the Lending Test is based on the distribution of home mortgage loans to borrowers of different incomes and businesses of different sizes. For borrower income, the analysis utilized the MFI which is annually adjusted by the Department of Housing and Urban Development (HUD) for inflation and other economic events. These figures can be found in Table 2.

Of the 83,029 families in the assessment area 30.1 percent are low-income, 22.5 are moderate-income, 23.3 are middle-income and 24.1 are upper-income

### ***Housing Characteristics***

Within the assessment area, there are 146,539 housing units, of which 43.5 percent are owner-occupied. Occupied rental units account for 53.6 percent of the assessment area's housing stock, and 2.9 percent are vacant units. The majority of homes in the assessment are 1-4 family units (75.9 percent), 24.2 percent are multi-family homes, and 0.2 percent are mobile homes or trailers.

The median housing value in the assessment area was \$211,132 as of the 2000 U.S. Census. However, more recent housing data obtained from *The Warren Group* reflects higher home values during the review period.

<b>Table 3 – Median Home Sales Prices</b>		
<b>City/County</b>	<b>2010</b>	<b>2011</b>
Chelsea	\$210,000	\$210,000
Everett	\$250,000	\$239,000
Malden	\$274,000	\$275,000
Medford	\$338,750	\$325,925
Melrose	\$371,875	\$374,000
Revere	\$230,000	\$235,000
Somerville	\$390,000	\$409,025
Winthrop	\$310,000	\$277,999
Commonwealth of Massachusetts	\$274,900	\$275,000

*source: 2010 and 2011 D&B data*

As shown in Table 3, median housing values have increased since 2000. There has been some volatility in the housing market from 2010 to 2011. The majority of municipalities, including the Commonwealth as a whole, experienced an increase in median home values in 2011. Everett, Medford, and Winthrop all saw declines in value.

### ***Unemployment***

For 2011, the municipalities within the Bank's assessment area experienced unemployment rates of 9.6 percent in Chelsea, 7.8 percent in Everett, 6.8 percent in Malden, 6.1 percent in Medford, 5.5 percent in Melrose, 8.3 percent in Revere, 5.2 percent in Somerville, and 6.9 percent in Winthrop. Most of these rates were comparable to the Middlesex County unemployment rate, at 6.6 percent. The 2011 unemployment rates for the U.S. and Commonwealth were 8.9 percent



and 7.4 percent, respectively. Generally, the unemployment rates increased throughout the assessment area since the previous performance evaluation.

### ***Business Demographic Data***

According to *Dun & Bradstreet (D&B)* data, there were 25,507 non-farm businesses in the assessment area in 2011. Of total non-farm businesses, 3.4 percent were in low-income tracts; 59.5 percent were in moderate-income tracts and 37.1 percent were in middle-income tracts. In terms of revenues, 68.2 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less, 3.2 percent had revenues greater than \$1.0 million, and 28.6 percent did not report GAR information.

### ***Competition***

The Bank's delineated assessment area is highly competitive with over 300 lenders originating loans in the assessment area. Large national financial institutions dominate the area's market share. Other smaller institutions, although not similarly situated by definition, are located within the Bank's assessment area and increase the local competition by providing similar products and services

### ***Community Contact***

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing, credit, and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of the communities, and what further opportunities, if any, are available. For this evaluation, information was provided by multiple contacts. The community contacts were conducted with local community development corporations. The organizations provide different services, including homelessness prevention, education and training, economic stabilization, affordable housing, work force development, and home care.

The contacts indicated the need for financial literacy training, affordable housing, and foreclosure prevention support. The community is in need of volunteers who would be willing to utilize their financial expertise to shape financial literacy programs in ways that fit their clients' needs. The contacts also discussed funding needs, stating funding is unquestionably the biggest challenge for the organizations. There is some participation from local banks, but the organization would like to see financial institutions increase their involvement in providing funding and relationship banking to low- and moderate-income individuals and families.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: loan-to-deposit ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes; and record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "Satisfactory." This rating indicates that Everett Co-operative Bank demonstrated a reasonable responsiveness to the credit needs of the assessment area.

#### Loan-to-Deposit Ratio

Everett Co-operative Bank's LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the prior CRA evaluation was 99.4 percent. The Bank's net LTD ratio was 102.43 percent as of June 30, 2012.

Growth patterns of loans and deposits were also analyzed to assess the fluctuation in the net LTD ratio. Net loans generally increased during the review period. Overall, net loans increased by 18.4 percent beginning with the September 30, 2009 Call Report. Total deposits generally increased during the previous 12 quarters, resulting in growth of 12.8 percent. Because of a higher loan growth, the net LTD ratio increased during the review period from 95.9 percent to 99.4 percent.

The Bank's net LTD ratio was compared to the LTD ratios of four other locally based, similarly situated depository institutions, as of June 30, 2012. The institutions selected are all headquartered in the greater Boston area, have assets between \$250 million and \$350 million, and are primarily residential lenders.

Table 4 – Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000) as of 6/30/2012	Average Net LTD Ratio 09/30/2009-06/30/2012
Everett Co-operative Bank	311,365	99.4
Beverly Co-operative Bank	296,372	97.4
Wellesley Bank	323,705	91.5
The Milford National Bank	270,854	89.7
Stoneham Savings Bank	335,581	83.9

*Source: 09/30/2009-06/30/2012 Call Reports*

#### Assessment Area Concentration

Overall, the majority of the Bank's residential and small business loans, by number, were inside the assessment area. As stated previously, both the number and dollar volume of the Bank's loans were reviewed, the number of originations was weighed more heavily, as the number of loans is less likely to be influenced by factors such as business size, applicant income level, or varying housing values. Table 5 portrays the Bank's record of extending home mortgage and small business loans inside and outside the assessment area during the review period.

Table 5 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Home Mortgage Loans										
2010										
Home Purchase	20	41.7	28	58.3	48	3,934	31.7	8,466	68.3	12,400
Refinance	46	59.8	31	40.2	77	10,157	44.4	12,705	55.6	22,862
Home Improvement	0	0	3	100.0	3	0	0	196	100.0	196
Total	66	51.6	62	48.4	128	14,091	39.7	21,367	60.3	35,458
2011										
Home Purchase	14	35.9	25	64.1	39	4,205	34.0	8,177	66.0	12,382
Refinance	24	49.0	25	51.0	49	8,891	52.9	7,916	47.1	16,807
Home Improvement	7	100.0	0	0	7	552	100.0	0	0	552
Total	45	47.4	50	52.6	95	13,648	45.9	16,093	54.1	29,741
Total Home Mortgage	111	49.8	112	50.2	223	27,739	42.5	37,460	57.5	65,199
Small Business Loans										
2010	25	54.3	21	45.7	46	4,982	31.9	10,648	68.1	15,630
2011	22	51.1	21	48.9	43	9,675	48.8	10,157	51.2	19,832
Total Small Business	47	52.8	42	47.2	89	14,657	41.3	20,805	58.7	35,462
Grand Total	158	50.6	154	49.4	312	42,396	42.1	58,265	57.9	100,661

Source: 2010 and 2011 HMDA LARs, Bank Small Business Loan Records

### ***Home Mortgage Lending***

Overall, Everett Co-operative Bank originated slightly less than a majority of its home mortgage loans inside its assessment area. In 2010, the Bank originated 51.6 percent inside the area, but fell to 47.4 percent in 2011. The decline from 2010 to 2011, both in number and percentage, was attributed to economic conditions and competition, as well as the fact many of the Bank's customers moved from the assessment area, but retained a banking relationship with the Bank. As reflected in Table 5, the Bank only originated 42.5 percent, by dollar amount. This percentage was also influenced by making larger dollar loans just outside the assessment area.

Analysis of home mortgage loans, by loan purpose, revealed a decrease in originations, prompted by economic conditions and competition. Refinance loans represented the largest portion of loans within the assessment area in each year. A majority of the Bank's home purchase loans were made outside the assessment area in 2010 and 2011. As stated previously, many of the Bank's customers moved from the assessment area, but retained a lending relationship with the Bank. All of the Bank's home improvement loans were made in the assessment area in 2011, an improvement since 2010.

Everett Co-operative Bank ranked 41<sup>st</sup> out of 316 HMDA-reporters in 2010, capturing approximately .5 percent of the market share. The vast majority of institutions ranked higher than the Bank were mortgage companies or large national or regional banks.

### ***Small Business Lending***

The Bank made a majority of its small business loans, by number, inside the assessment area during the review period. However, once again the dollar amount inside the assessment area was less than 50 percent. The dollar amount performance was influenced by limited lending opportunities in the assessment area and competition. However, it should be noted the dollar amount percentage increased from 2010 to 2011, and was only slightly less than a majority, at almost 49 percent.

## **Geographic Distribution**

Overall, the geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area, with emphasis on the area's moderate income tracts. The following sections discuss the Bank's performance.

### ***Home Mortgage Lending***

The Bank's performance within the moderate-income tracts is excellent. Nearly three-quarters of the Bank's home mortgage loans were originated in the area's moderate-income geographies. The Bank's 2010 performance significantly exceeded the aggregate percentage and the percentage of owner-occupied housing units. Given the high level of competition and certain economic constraints, this performance is noteworthy.

The Bank's assessment area contains only two low-income census tracts, both located in the City of Chelsea. Everett Co-operative Bank has no branch presence in this area. The Bank did not make any loans in 2010 and only two loans in 2011. However, the improvement from 2010 to 2011 is positive, and the Bank's percentage, at 4.4 percent, exceeded the percentage of owner-occupied units. Mitigating the Bank's performance in the low-income tracts is the fact only 1.1 percent of the area's owner-occupied housing units are located here, and the fact the 2010 aggregate originated less than 1 percent in these areas. Additionally, the number of families below the poverty level within these tracts is high, at 28.2 percent. This data lends support to the fact there are limited opportunities to make loans in these tracts.

<b>Table 6 – Distribution of Home Mortgage Loans by Census Tract Income Level</b>						
<b>Census Tract Income Level</b>	<b>% of Total Owner- Occupied Housing Units</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>2010 Bank</b>		<b>2011 Bank</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	1.1	0.9	0	0.0	2	4.4
<b>Moderate</b>	53.1	49.5	54	81.8	33	73.3
<b>Middle</b>	45.8	49.6	12	18.2	10	22.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data; 2010 and 2011 HMDA LARs*

A review of the distribution of home mortgage loans by dollar amount did not reveal any additional information that would affect conclusions. However, the distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, because the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans within the assessments area.

### ***Small Business Lending***

The overall geographic distribution of the Bank's small business loans reflects reasonable dispersion.

Table 7 illustrates the Bank's small business lending activity in 2010 and 2011 by census tract income level, as well as the breakdown of businesses for comparison purposes.

Table 7 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	2010 % of Total Businesses	2010 Bank		2011 % of Total Businesses	2011 Bank	
		#	%		#	%
Low	3.4	0	0	3.1	0	0
Moderate	59.5	21	84.0	59.3	18	81.8
Middle	37.1	4	16.0	37.6	4	18.2
Total	100.0	25	100.0	100.0	22	100.0

Source: 2010 and 2011 D&B Business Data; 2010 and 2011 Bank Small Business Loan Records

Once again, the Bank's performance within the moderate-income tracts was significant. In both 2010 and 2011, the Bank significantly exceeded the percentage of businesses operating in the moderate-income tracts. The Bank originated greater than 80 percent of its assessment area small business loans in the moderate-income tracts. Given the level of competition in the assessment area, this performance is noteworthy.

The Bank had no originations in the low-income census tracts in 2010 or 2011. It is noted the percentage of total businesses in the low-income census tracts is low compared to the moderate-income census tracts. The lack of a branch presence in Chelsea, the limited number of businesses operating in these tracts, and the high level of competition, influenced and also mitigated the Bank's performance. However, the lack of loans in the low-income tracts did influence the small business performance.

### **Borrower Characteristics**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area. The overall conclusion is based on the distribution of home mortgage loans to low- and moderate-income individuals, the Bank's market ranks, and the Bank's reasonable performance in lending to businesses with GARs under \$1 million. The following sections discuss the Bank's performance.

### ***Home Mortgage Lending***

The Bank's performance is reasonable. Table 8 shows the Bank's loans by borrower income level in 2010 and 2011, the distribution of families by income level, and the aggregate market data for 2010 for comparison purposes.

Table 8 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families	2010 Aggregate Lending Data (% of #)	2010 Bank		2011 Bank	
			#	%	#	%
Low	30.1	6.8	6	9.1	5	11.1
Moderate	22.6	23.2	21	31.8	7	15.6
Middle	23.2	26.8	14	21.3	8	17.8
Upper	24.1	27.4	9	13.6	8	17.8
N/A	0.0	15.8	16	24.2	17	37.7
Total	100.0	100.0	66	100.0	45	100.0

Source: 2000 U.S. Census Data; Bank Records, 2010 and 2011 HMDA LARs

The Bank originated 9.1 percent and 11.1 percent of all assessment area loans to low-income borrowers in 2010 and 2011, respectively. The Bank's performance in 2010 was higher than aggregate's performance. The Bank's percentage of loans to low-income borrowers was less than the 30.1 percent of low-income families; however, a significant portion of these families would likely not qualify for a home mortgage loan, as almost 30 percent of families in this category were below the poverty level. Additionally, the cost of housing would also influence the ability of a low-income individual/family to qualify for a mortgage.

The Bank originated 31.8 percent and 15.6 percent of its loans to moderate-income borrowers in 2010 and 2011, respectively. The Bank's percentage in 2010 exceeded the aggregate's 23.2 percent. As reflected in Table 8, the number of loans made to moderate-income borrowers dropped significantly from 2010 to 2011. The Bank's percentage also fell. The decline is attributed, primarily, to economic conditions and competition.

The 2010 market rank reports revealed the Bank ranked 34<sup>th</sup> out of 130 lenders to low-income borrowers, and 33<sup>rd</sup> out of 204 lenders to moderate-income borrowers. The majority of the banks ahead of Everett Co-operative Bank were larger national banks and mortgage companies; however, certain local financial institutions also ranked higher. Overall, the market rank data supports the reasonable performance by the institution.

### ***Small Business Lending***

The distribution of the Bank's small business loans by GARs and loan size is reasonable. Table 9 illustrates the Bank's small business loans in the assessment area by GARs. Table 9 also shows the percentage of total businesses in the assessment area by GARs for comparison purposes.

<b>Table 9 – Distribution of Small Business Loans by Gross Annual Revenues (GAR)</b>						
<b>GAR \$(000)</b>	<b>2010 % of Total Businesses</b>	<b>2010 Bank</b>		<b>2011 % of Total Businesses</b>	<b>2011 Bank</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
≤ \$1,000	77.3	12	48.0	68.2	12	54.5
> \$1,000	4.6	7	28.0	3.2	6	27.3
Not Reported	18.1	6	24.0	28.6	4	18.2
<b>Total</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

*Source: Bank Records – Small Business Data (2010, 2011); D&B 2010 Business Data*

In 2010, the Bank extended 12, or 48.0 percent, of its small business loans inside the assessment area to businesses with GARs of \$1 million or less. This performance is less than the percentage of total businesses within the assessment area with GARs of \$1 million or less (77.3 percent). However, the Bank's performance improved in 2011, with 54.5 percent, of its small business loans made to businesses with GARs of \$1 million or less. Although the Bank's performance was less than the percentage of total businesses in the assessment area with GARs of \$1 million or less, the Bank made a majority of small business loans in each year to small businesses. The Bank's improving trend is positive given the economic constraints and level of competition in the area.

### **Response to CRA Complaints**

The Bank received no CRA-related complaints during the evaluation period. It was noted the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

## **COMMUNITY DEVELOPMENT TEST**

Overall, Everett Co-operative Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area. The Bank helped meet community development needs within the assessment area through community development loans, qualified investments and grants, and community development services.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

The Bank's level of community development lending reflects an adequate responsiveness. The total amount of community development loans granted since the previous examination is approximately \$4.1 million. The following is a summary of the Bank's lending activity.

- In October 2009, the Bank provided a \$1.5 million commercial/construction loan to a non-profit adult daycare organization. The majority of the clients served are low- or moderate-income. The proceeds were used to construct a new building within a moderate-income geography.
- In June 2011, the Bank refinanced a loan for the construction of a mixed-use property in Somerville. The project includes 15 residential units and 2 commercial condominium units. Three of the residential units were sold below market value to low-income individuals qualified for the housing through the City of Somerville. The Bank received credit for the three units, totaling \$531,000.
- In October 2011, the Bank funded a loan for the acquisition and construction of a new restaurant in Lawrence. Lawrence is outside the Bank's assessment area, but is considered an urban empowerment zone by HUD. An urban empowerment zone is an area designated by HUD to increase small business growth and community revitalization. Everett Co-operative Bank funded approximately \$2.1 million over the evaluation period. The project created 60 new jobs, with the majority considered low- or moderate-income.

### **Community Development Investments**

A qualified investment, for the purposes of this CRA evaluation, is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

The Bank's level of community development investments reflects an adequate responsiveness to the assessment area. Total qualified investments for this evaluation period amounted to \$101,571. This figure includes one investment (\$25,000) and donations made to qualified organizations. The following is a summary of the Bank's investment activity.

- Everett Development and Financial Corporation (EDFC) – Everett Co-operative Bank has a \$25,000 investment in the EDFC, which provides loans at below market rates to small businesses in Everett. Many of these businesses would be unable to obtain conventional financing without the assistance of EDFC and the Bank.

Everett Co-operative Bank demonstrated a commitment to assisting the assessment area by making contributions and donations to community based organizations, with a strong emphasis on affordable housing and community services.

From August 3, 2009 through October 12, 2012, the Bank contributed \$76,571 to qualified organizations and programs. Table 10 illustrates the community development categories of the Bank's qualified grants. These grants were responsive to the specific community development needs of the assessment area.

Table 10 - Community Development Grants and Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
8/3/2009 – 12/31/2009	3	1,450	5	4,298	0	0	0	0	0	0	8	5,748
2010	1	1,000	11	28,485	0	0	0	0	0	0	12	29,485
2011	1	1,000	10	29,738	0	0	0	0	0	0	11	30,738
1/1/2012 - 10/12/12	1	1,000	7	9,600	0	0	0	0	0	0	8	10,600
Total	6	4,450	33	72,121	0	0	0	0	0	0	39	76,571

Source: Bank Records \*Targeted to Low- or Moderate-Income Individuals \*\* In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

The following is a sample of organizations that received donations from the Bank.

- Mystic Valley Elder Services – This non-profit organization assists low-income elders with financial tasks including bill payment, budgeting, checkbook balancing, and general financial literacy.
- The Community Family, Inc. – This non-profit adult daycare organization, located within a moderate-income geography, provides health and social services with a specialization in clients with Alzheimer's disease. Many of the clients served are low- or moderate-income.
- Consumer Credit Counseling of Massachusetts – This non-profit organization provides financial counseling and educational programs for families and individuals. A majority of the clients served are low- or moderate-income.



- Housing Families, Inc. – This organization works to end family homelessness and provides safe temporary shelter and quality affordable housing. Housing Families, Inc. offers individualized supportive services to enrich children’s lives, nurture the potential of each family member, and help families maintain permanent housing. A majority of the families are low- or moderate-income.

### **Community Development Services**

The CRA regulation defines a community development service as an activity having community development as its primary purpose and related to the provision of financial services.

The Bank’s level of community development services reflects an adequate responsiveness to the community needs of the assessment area. Detailed below are the Bank’s qualified community development services.

### **Involvement in Community Organizations**

Everett Development and Finance Corporation (EDFC) – The primary objective of this organization is to improve the living conditions in Everett through revitalization, employment, and new business opportunities. EDFC provides direct financing for small businesses in Everett that may not meet traditional underwriting standards. The Bank’s Senior Loan Officer serves as a Director and member of the Finance Committee.

Community Family, Inc. – This organization provides adult day care services, primarily to low- and moderate-income individuals in the community. The Bank’s Senior Loan Officer serves as the President.

### **Other Services**

The Bank is a member of all Basic Banking for Massachusetts programs, which are voluntary programs designed to offer low- and moderate-income individuals access to affordable banking products and services. Furthermore, the Bank offers free government check cashing for non-customers.

The Bank continues to support the “Savings Makes Cents Program” at the Lafayette School in Everett, which is aimed at improving the economic literacy of elementary school children.

The Bank also participates in the Interest on Lawyers Trust Account (IOLTA) program, which is an agreement with the Massachusetts Bar Association. This agreement allows for the interest paid on certain accounts to be used to provide legal assistance to low- and moderate-income individuals.

## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

**The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.**

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has a written Fair Lending Policy. Included in this policy are the Bank's efforts to eliminate disparate treatment in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures. The Bank provides fair lending training through internal training programs as well as seminars available through outside services and sources. Fair lending training is provided to all new employees and all existing employees at least annually. Management develops training programs that cover all aspects of the lending process.

### **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received 3 HMDA reportable mortgage applications from racial minority groups within its assessment area.

In 2010, Everett Co-operative Bank had no applications from minority groups and one application, representing 1.4 percent of total applications, from a Hispanic applicant. The aggregate has 11.8 percent of applications from minority applicants and 6.8 percent from Hispanic applicants. Performance in 2011 showed a positive trend for minority applicants with 3 applications (6.1 percent) but no applications from Hispanic applicants. For 2010 and 2011, for 15.1 percent and 24.5 percent, respectively, of the applications received the race and ethnicity information of the applicant(s) were not available.

## APPENDIX B

### *General Definitions*

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 419 Broadway, Everett, MA 02149."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.